COVID-19: EXTREME VIGILANCE WHILE PRESERVING SOCIAL LIFE

H1 2020: BUSINESS AND PROFITABILITY STRONGLY RESILIENT

- **REVENUE: €1,904M (+3.5%)**
- **EBITDAR: €453M (-5.5%)**
- **NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS: €73.0M (€79.1M RESTATED FOR IFRS 16)**

REAL-ESTATE PORTFOLIO OF €6.25 BILLION

- **INCREASE OF +€233M OVER THE HALF YEAR**
- **€295M IN ARBITRAGE SINCE THE BEGINNING OF H2**

ACQUISITION OF 50% INTEREST OF BRINDLEY GROUP: ORPEA BECOMES NO. 2 IN IRELAND

Puteaux, 22 September 2020 (6:30 pm CEST)

The ORPEA Group, world leader in long-term care (nursing homes, post-acute and rehabilitation hospitals, mental health hospitals, and home care services), today announces its consolidated results (limited review in progress) for the first half of 2020 (six months to 30 June), as approved by the Board of Directors on 22 September 2020, as well as the acquisition of 50% of the Irish Group, Brindley.

Management of the Covid-19 outbreak: extreme vigilance and development of social life

The ORPEA Group and its teams remain extremely vigilant in managing the Covid-19 health crisis. Since the end of H1, ORPEA is continuing to apply strict barrier measures across all sites (wearing of masks, physical distancing, heightened hygiene measures, etc.) while resuming social interactions within its facilities (meals in the restaurant, family visits, events and entertainment, etc.)

In addition to barrier measures, the Group also applies its systematic testing policy in the event of any suspected cases or contact cases, testing everybody present within the facility (residents, patients and employees). In the event that one person tests positive, certain temporary restrictions may be reintroduced as a precautionary measure, such as dividing mealtimes at the restaurant into small groups or limiting visits to patients' and residents' rooms.

The Group's aim is to provide a graduated response, adapted to each facility, as close as possible to the situation on the ground, enabling the safety and preservation of its residents' social interaction (families, employees, external service providers).

ORPEA implemented three procedural levels, depending on local pandemic indicators, in order to bring appropriate solutions to each facility:

- Procedure "Coro 1" for facility located in a department classified as low in terms of virus circulation, with no suspected or confirmed cases in the facility: general barrier measures;
- Procedure "Coro 2" for facility located in an epidemic zone where the virus is actively circulating, with no suspected or confirmed cases in the facility: additional measures such as weekly PCR test on around a third of employees, adjustment of the frequency of visits and of outdoor social interaction;
- Procedure "Coro 3" for facility with at least one confirmed case of COVID-19 (employee or resident or independent contractor): alert healthcare authorities, "zoning" of the facility.

The health situation is currently under control within the network: the number of positive cases remains low (0.4% of residents and patients at 15 September 2020) and more than 90% of these positive cases are asymptomatic. More than 97% of the Group's facilities thus currently have no Covid-19 cases.

In order to thank them for their commitment during the health crisis, ORPEA paid its employees a bonus, in addition to any government bonuses received.

Moreover, in order to understand the sentiment within its teams during this crisis, from June 2020 the Group partnered with an international consulting firm to carry out an employees' survey covering approximately 22,000 members of staff in France. The main conclusions of this survey show:

- a sense of great usefulness for 90% of employees;
- close to 9 out of 10 employees consider that the protective measures implemented were appropriate.

At the same time, a satisfaction survey regarding the management of the public health crisis was carried out at Group level among residents' families, by independent external companies: 37,000 questionnaires were sent out, with a response rate of 46%. 92.5% of those who responded said they were satisfied or very satisfied with the information and measures introduced to ensure the safety of residents.

ORPEA and its teams remain ready and committed to ensuring the best possible protection of its residents, patients and employees. The safety and quality of care of its stakeholders remain the Group's priority.

H1 2020 results strongly resilient

2020 half-year results are presented in accordance with IFRS norms, including IFRS 16, in conformity with existing regulations and recommendations.

In €m (IFRS)	**H1 2020**	H1 2019	*Change*
Revenue	**1,904.2**	1,840.6	*+3.5%*
EBITDAR (EBITDA before rental expenses)	**453.4**	479.7	*-5.5%*
EBITDA	**439.0**	464.5	*-5.5%*
Recurring operating profit	**196.8**	244.1	*-19.4%*
Net interest expense	**-113.3**	-106.3	*+6.5%*
Profit before tax	**98.8**	153.2	*-35.5%*
Net profit attributable to Group shareholders	**73.0**	114.6	*-36.3%*

Revenue for H1 2020 was up +3.5% at €1,904.2 million, driven by strong external growth, in particular in Ireland (TLC), Latin America (SIS) and France (Sinoué), which more than offset the limited decline of -0.9% in organic growth.

EBITDAR (EBITDA before rental expenses) was down -5.5% to €453.4 million, representing a margin of 23.8%. The 230 bp decline compared with H1 2019 was due to the impact of the Covid-19 pandemic, which totalled a gross amount of €147 million (loss of business, additional costs relating to personal protective equipment and staff bonuses). Taking into account compensation received, net cost stood at €53 million. These compensations are recognised in recurring operating profit, whether as an income in "other products" for those related to loss of business, or as a reduction in costs for those related to additional costs. in The most affected geographical regions were Eastern Europe (due to the temporary closure of Austrian clinics) and the Iberian Peninsula and Latam, Spain in particular. Conversely, the France Benelux and Central Europe regions proved resilient, with limited declines.

EBITDA fell 5.5% to €439.0 million, with a margin of 23.1% of revenue. EBITDA margin restated for IFRS 16 stood at 14.9%, taking into account external rental expenses of €169.5 million.

Recurring operating profit stood at €196.8 million (-19.4%) after depreciation, amortisation and provisions of €242.3 million (+9.9%), reflecting the growth of the real-estate portfolio held by the Group.

Net non-recurring gains were stable at €15.3 million, compared with €15.4 million in H1 2019.

Net interest expense reached €113.3 million, representing a limited increase of +6.6% despite sustained investments.

After accounting for an income tax expense of €28.3 million, **net profit attributable to Group's shareholders** fell 36.3% to €73.0 million. Excluding IFRS 16 impacts, consolidated net profit attributable to Group's shareholders was €79.0 million. These results demonstrate the Group's excellent resilience and its ability to maintain strong cash generation despite the unprecedented Covid-19 pandemic.

Strong real-estate policy combining reinforcement and arbitrage

During H1 2020, ORPEA continued its strategy of holding real-estate assets in the best locations, notably with the acquisition of facilities in Dublin, Riga and the Netherlands.
At 30 June 2020, the real-estate portfolio was valued at €6,250 million[1], i.e., an increase of €233 million over H1 alone, and had a total surface area of 2.2 million sqm. The capitalisation rate remained unchanged at 5.7%, still cautious compared with recent market transactions on the same type of assets.
ORPEA thus now owns 49% of its facilities, compared with 47% on 30 June 2019.

The Group also started disposing of real-estate assets in July 2020, with €145 million sold to Icade and an additional €150 million currently being finalised with other investors. Boosted by the resilience of its occupancy rates, the Group's facilities continue to attract many international real-estate investors under conditions that remain very attractive. Commitments received on the disposal programme for a portion of facilities to be delivered over the 2020-2024 period total €2 billion.

Strengthening the financial structure

Net debt stood at €5,958 million[2] at 30 June 2020, compared with €5,535 million[1] at 31 December 2019, a modest increase considering the level of investment in both real estate and operations, notably with the acquisition of Sinoué in France and TLC in Ireland.
The share of real-estate debt reached 87%, compared with 85% at 31 December 2019. Debt ratios restated for IFRS 16 remain well below their covenants, with financial leverage restated for real-estate assets of 2.8 (5.5 authorised) and restated gearing of 1.7 (2.0 authorised).

Since the beginning of 2020, and at a time when the health crisis had a major impact on global financial markets, ORPEA has continued to actively strengthen its financing capacity, with new bank financing and non-banking transactions (Schuldschein and Euro PP) totalling €344 million at the end of July. At 30 June, the Group's cash position stood at €902 million.
Borrowing cost stood at 2.4% at 30 June 2020, a 30 basis point decrease compared with 2019. Net debt is still fully hedged against the risk of an increase in interest rates.

ORPEA becomes no. 2 in Ireland with the acquisition of 50% of Brindley Healthcare

Following the acquisition of the TLC Group in January 2020, ORPEA has stepped up its presence in Ireland with the acquisition of 50% of the fourth largest national nursing home operator, Brindley Healthcare. ORPEA has an option to buy the remaining 50% by 2022.

Founded in 2000, Brindley Healthcare has a home care business and operates 10 facilities (574 beds) across six counties which are complementary to the county of Dublin where TLC operates, thus providing ORPEA with a national platform for growth. Brindley is recognised by the Health Authorities for its high-quality offering implemented by a management team with more than 20 years of experience. In 2019, the group generated revenue of almost €25 million.

[1] Excluding the impact of €415 million in real-estate assets held for sale as of 30 June 2020.
[2] Excluding €475 million and €400 million in debt associated with assets held for sale at 30 June 2020 and 31 December 2019 respectively.

ORPEA thus becomes no. 2 in Ireland, with a strong platform for growth, combining TLC's expertise in terms of acquisitions and Brindley Healthcare's know-how in terms of creating new facilities. The Group intends to continue expanding its assets in this country where the current offering is insufficient and an additional 10,000+ beds need to be built by 2031.

Strategy and outlook

More than ever, the Group's strategy remains focused on the quality of care and services provided to its residents and patients, as well as the safety and well-being of its employees. ORPEA therefore continues its growth in its five geographical regions, by favouring value-creating acquisitions and the opening of new facilities in prime locations in major European and Latin American towns and cities.

Since the start of H2, business has picked up significantly across all facilities:

- at post-acute and rehabilitation hospitals and at mental health hospitals, occupancy rates have almost returned to pre-Covid-19 levels;
- the momentum of nursing home new admissions is also strong and occupancy rates in most countries are expected to return to almost pre-Covid-19 levels within the next six months, providing current health situation do not worsen.

The Group will present its new 2020 revenue target (the previous one having been temporally withdrawn the 5th of May 2020) when ORPEA publishes its Q3 revenue.

Yves Le Masne, Chief Executive Officer of ORPEA, commented:

"H1 2020 was unprecedented due to the scale of the health crisis. During this period, ORPEA has demonstrated strong resilience thanks to the commitment of its 65,000 employees. Team spirit combined with professionalism represent the foundations on which the Group's future is built.

ORPEA continues to develop its employees' skills, in particular through the introduction of innovative training programmes and the creation and acquisition of training schools.

ORPEA is equipped with all the necessary resources, both human and financial, to comfortably continue its growth and strengthen its position as a world leader in long-term care. In that sense, since the beginning of 2020, ORPEA has completed four structuring acquisitions (Sinoué, Clinipsy, TLC and Brindley) which, in the long term, will represent an additional 2,750 beds and €220 million in revenue."

Next press release: Q3 2020 revenue
3 November 2020 after market close

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Glossary:

Organic growth	Organic growth reflects the following factors: 1. The year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates 2. The year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period 3. Revenue generated in the current period by facilities created in the current or year-earlier period, and the change in revenue at recently acquired facilities by comparison with the previous equivalent period
EBITDAR	EBITDA before rents, including provisions related to external charges and staff costs
EBITDA	Recurring operating profit before net additions to depreciation and amortisation, including provisions related to external charges and staff costs
Net debt	Non-current borrowings + current borrowings - cash and short-term investments
Financial leverage restated for real-estate assets	(Net debt - Real-estate debt)/(EBITDA - (6% x Real-estate debt))
Restated gearing	Net debt/(Equity + Deferred taxes available indefinitely on intangible assets)
Capitalisation rate	The real-estate capitalisation rate or the rate of return is the ratio between the rental amount and the building's value

Consolidated income statement (Auditors' review in progress)

In €m	H1 2020	H1 2019	H1 2020 Restated for IFRS 16	H1 2019 Restated for IFRS 16
Revenue	**1,904.2**	**1,840.6**	**1,904.2**	**1840.6**
Purchases used and other external expenses	-357.1	-338.9	-512.2	-485.8
Staff costs	-1,080.0	-986.5	-1,080.0	-986.5
Taxes other than on income	-72.3	-61.7	-72.3	-61.7
Depreciation, amortisation and charges to provisions	-242.3	-220.4	-112.6	-98 8
Other recurring operating income and expenses	44.3	11.0	44.3	11.0
Recurring operating profit	**196.8**	**244.1**	**171.3**	**218.8**
Other non-recurring operating income and expenses	15.3	15.4	15.3	15.0
Operating profit	**212.1**	**259.5**	**186.6**	**233.8**
Net interest expense	-113.3	-106.3	-79.8	-73.7
Profit before tax	**98.8**	**153.2**	**106.8**	**160.1**
Income tax expense	-28.3	-42.6	-30.2	-44 1
Share in profit/(loss) of associates and joint ventures	1.8	4.1	1.8	4.1
Net profit attributable to Group's shareholders	**73.0**	114.6	79.1	120.1

ORPEA GROUP

Consolidated balance sheet (Auditors' review in progress)

In €m	30-June-20	31-Dec-19
Non-current assets	**13,031**	**12,440**
Goodwill	1,338	1,299
Intangible assets	2,680	2,469
Property, plant and equipment and properties under development	6,250	6,017
Right of use assets	2,387	2,334
Other non-current assets	377	321
Current assets	**1,845**	**1,699**
Cash and short-term investments	*902*	*839*
Assets held for sale	**475**	**400**
TOTAL ASSETS	**15,351**	**14,539**
Equity attributable to ORPEA's shareholders and deferred taxes available indefinitely	**3,569**	**3,513**
Equity attributable to ORPEA's shareholders	3,009	3,014
Deferred taxes available indefinitely on operating intangible assets	561	499
Non-controlling interests	**-3**	**-3**
Non-current liabilities	**9,337**	**8,849**
Other deferred tax liabilities	508	529
Provisions for liabilities and charges	204	199
Non-current liabilities	6,301	5,859
Lease commitments	2,323	2,262
Current liabilities	**1,973**	**1,780**
o/w current financial liabilities (bridge loans and real estate porting)	*559*	*515*
Liabilities associated with assets held for sale	**475**	**400**
TOTAL EQUITY AND LIABILITIES	**15,351**	**14,539**

Cash flows (Auditors' review in progress)

In €m	H1 2020	H1 2019
Net cash from operating activities	**245**	**244**
Investments in construction projects	-168	-206
Acquisitions of real estate	-194	-174
Disposals of real estate	1	0
Net investments in operating assets	-293	-226
Net cash generated/(used) by investing activities	**-654**	**-606**
Net cash generated/(used) by financing activities	**472**	**541**
Change in cash over the period	63	179
Cash at end of period	**902**	**947**